

JOURNAL

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Oregon Gov. John Kitzhaber (left) and Washington Gov. Gary Locke launched a statewide energy conservation campaign in January with a press conference at Bonneville Dam and an open letter to citizens published in major Northwest newspapers.

Photo courtesy The Columbian

BPA, CUSTOMERS CONSIDER RATE SETTLEMENT

Customer utilities presented a settlement proposal to BPA rates staff on Jan. 17. Settlement discussions were continuing as the *Journal* went to press.

The high-stakes power market is bringing Northwest public and private utilities together to share their rights to the limited benefits of the federal hydro system. BPA is on a path to wholesale power rate increases that could average 60 percent for fiscal 2002-2006 unless the region can take actions to reduce power costs, BPA Acting Administrator Steve Wright said in an open letter to customers and citizens mid-month.

"The fundamental problem is unprecedented high market prices," Wright said. "Unless the region finds ways to bring costs down, steep rate increases are unavoidable." BPA must generate sufficient income to ensure payments to the U.S. Treasury while funding fish programs and meeting other obligations.


Failing to make the hard choices now would threaten the financial stability of the Federal Columbia River Power System and the economic benefits the region enjoys, Wright said. He emphasized that even with the steep wholesale rate increases, BPA's rates would remain well below market levels. "If we meet the challenge now, the region will continue to reap the advantages of a power supply that is one of the lowest cost, most reliable in the nation for many years to come."

If BPA were to collect more revenue than needed, it would return that amount to ratepayers. Wright's letter was mailed to *Journal* recipients. See the back page.

DAMS DRAWN DOWN TO KEEP LIGHTS ON

As California endured rolling blackouts in mid-January, BPA asked the U.S. Army Corps of Engineers and Bureau of Reclamation to run the Northwest's federal hydro system aggressively to keep the lights on in the Northwest.





Poor streamflow conditions forced BPA to buy power to meet loads in face of shrinking Western power supplies.

"We tried to buy our way out and paid extremely high prices to secure power supplies. But we found the megawatts dwindling and prices skyrocketing," said Steve Wright, acting BPA administrator.

From Jan. 15-17, BPA spent \$50 million for power for that week alone. BPA could not sustain this level of demand on its financial resources and took action to increase hydropower production. The Corps and Reclamation increased power generation and water releases from Grand Coulee Dam and other storage reservoirs.

The action in January will not result in any immediate harm to fish but will further reduce the chances of refilling Grand Coulee Dam and other federal storage reservoirs to levels targeted for April 10 to assure water flows for spring fish migration.

Continuing low streamflows coupled with fluctuating high demand for energy could force the federal system in and out of power emergency situations as the winter season progresses. BPA and other federal agencies are meeting weekly to discuss the power emergency situation and future actions that should be taken.

If the actions taken to provide power now affect the level of April 10 refill, the federal agencies will consider measures that will help mitigate the potential effects on endangered salmon.

JANUARY SERE AND SUNNY

January wasn't wet, which is unfortunate for the Columbia River hydropower system. Low streamflow and snowpack conditions in the Columbia River Basin have reduced the amount of hydro generation available in the Northwest.

As of mid-month, natural Columbia River flows for January were projected to be 58 percent of average at The Dalles, Ore., the fourth lowest January streamflows in 72 years of record. Mid-month forecasts predicted runoff of 68 percent of normal for January-July. Forecasts will be updated regularly through July. BPA is hoping for lots of lousy weather.


ALUMINUM COMPANIES CHIP IN (EXCEPT KAISER)

BPA is continuing to seek beneficial ways to reduce its power loads. In January, BPA announced agreements with three aluminum companies to reduce loads and increase benefits to the region's ratepayers, while keeping the companies' employees whole.

* *Alcoa Inc.*, is reducing energy consumption by 150 megawatts at its Wenatchee, Wash., smelter. This will help keep power flowing to Northwest consumers and save Columbia River water for fish. BPA will pay Alcoa for the reduced power consumption at a price that is less than market prices but still benefits Alcoa and keeps employees whole. BPA and Alcoa also agreed to shift a portion of the power scheduled to Alcoa's Intalco smelter at Ferndale, Wash., from January and February to March and April. This will make more power available to other Northwest consumers when it's most needed.

* *Columbia Falls Aluminum Company* in Montana is remarketing electricity it buys from BPA and using the revenue to benefit plant employees and Northwest ratepayers as well as the company. CFAC is shutting down potlines through December 2001. BPA ratepayers will receive benefits equal to about 30-35 percent of the value of the remarketed power, plus a direct financial benefit of about \$60 million. In addition, BPA will not have to buy about 165 average megawatts of energy in October-December that it would have otherwise had to supply to CFAC. CFAC will fully compensate employees through December 2001, and will secure future power supplies for CFAC through investments in conventional and renewable generation, energy conservation and power purchases.

* *Golden Northwest Aluminum, Inc.*, agreed on a plan to remarket electricity the company buys from BPA to produce aluminum at smelters in Goldendale, Wash., and The Dalles, Ore. Northwest ratepayers will receive 20-25 percent of the proceeds, or about \$100 million, to help BPA defray costs of operating in the volatile power market. Golden Northwest will invest up to \$100 million in a new gas-fueled combustion turbine and a wind energy project; continue paying wages and benefits to employees and cover the costs of curtailing operations.



CFAC and Golden Northwest are two of three aluminum companies that signed contracts in 1995 for power from BPA that allowed companies to remarket federal power they did not use. At the time, BPA power was at or above market; the remarketing provision provided risk mitigation against a take-or-pay obligation to BPA. BPA is continuing discussions with the third such company, Kaiser Aluminum. Resale of power is not allowed under BPA Subscription contracts for 2002-2006.

CALIFORNIA RETURNING EXCHANGE ENERGY

As of Jan. 29, the California Independent System Operator had returned about 170 percent of the power BPA has sent to California since November, or 85 percent of the total energy owed under two-for-one energy exchanges. BPA has asked the ISO to return all energy owed by Feb. 16, so the energy would be available in case of a Northwest cold snap.

Energy exchanges are the tool BPA has been using to help California keep its lights on while simultaneously adding to power supplies in the energy-short Northwest. For every megawatt BPA sends down south, it asks for two megawatts back. The first megawatt must be returned within 24 hours, making the Northwest whole. The second increment must be returned within two weeks.

California returns energy at nights and on weekends, when its loads are lightest. When BPA gets a second megawatt back for each megawatt sent to California, it can run less water through dams, effectively storing power. This keeps reservoirs higher to hedge against cold spells and provides more water to help endangered salmon in their spring migration.

CEILO WILL STAY AT 3,100 MW

BPA's Transmission Business Line is taking steps to ensure that the DC Intertie to Los Angeles stays at its current capacity of 3,100 megawatts long-term, due to the importance of the DC Intertie to the West Coast power grid. That's the result following a public process underway since last fall on the fate of the DC Intertie, one of two critical interties that interconnect the Pacific Northwest and Pacific Southwest.

To keep the DC Intertie up and running long term, BPA will invest about \$35 million. It will buy new solid-state converters and replace 1960s era power converters at BPA's Celilo Converter Station in The Dalles, Ore. The converters change electricity between every day alternating current and direct current for long-distance DC transmission. The project should be done by November 2003.

The Los Angeles Department of Water and Power and Southern California Edison, the southern partners in the DC Intertie, will replace much of their Sylmar Converter Station on their end of the line on the same schedule at a cost of \$117 million. Sylmar was badly damaged in a fire and two earthquakes.

FERC, DOE HEADS MEET WESTERN GOVS

New Federal Energy Regulatory Commission Chair Curt Hebert and new Secretary of Energy Spencer Abraham meet with Western governors in Portland on Feb. 1 to discuss the Western energy crisis. The Western Governors' Association meets in Portland Feb. 2. The governors plan to address issues of regional energy shortages, energy prices and load management.

Meanwhile, the Legislative Council on River Governance, a group of Northwest state legislators headed by Oregon Senate President Gene Derfler, has been discussing options for preserving the Columbia hydro benefits for the Northwest, including regionalizing BPA.


COW CREEK BAND BUILDS A UTILITY


The Cow Creek Band of the Umpqua Tribe of Indians near Roseburg, Ore., is preparing to start buying BPA power beginning this October. The band is one of two tribes that signed Subscription contracts with BPA under a set-aside for small, new utilities.

Cow Creek expects to buy three to five megawatts of power from BPA. The tribe is working with PacifiCorp to buy a transformer and underground line that serve the tribe's casino. It also plans to build a distribution line to a tribal truck stop.



PUBLIC INVOLVEMENT

STATUS REPORTS


NEW! Avian Predation on Juvenile Salmonids in the Lower Columbia River. Wash. and Ore. — Monitor and evaluate the management actions implemented to reduce avian predation on juvenile salmonids in the Columbia River estuary. 

Big Eddy-Ostrander Vegetation Management. Ore. — To control vegetation on two segments of the 500-kV transmission line right-of-way, from Lolo Pass to near Parkdale and east of Parkdale. 


Coeur d'Alene Tribe (CDA) Trout Production Facility Project. Idaho — To fund design, construction, operation and maintenance of a facility to provide off-site mitigation for losses on the mainstem Columbia River. Final 


Condon Wind Project. Ore. — To acquire about 24.5 megawatts of electricity from the proposed Condon Wind Project. The  schedule has been delayed due to possible changes in the project. 


DC Intertie. Ore. — BPA will modernize Celilo power converters to maintain DC Intertie capacity at 3,100 MW long term. See story.


Fish and Wildlife Implementation Plan. Regionwide — To examine potential impacts of implementing one of the fish and wildlife policy directions being considered in regional processes. 

Grande Ronde and Imnaha Spring Chinook Project. Ore. — To build egg incubation and juvenile rearing facilities next to the Lostine and Imnaha rivers and to modify the Gumboot adult collection facility and the Lookingglass Hatchery in partnership with the Nez Perce Tribe, Oregon Dept. of Fish and Wildlife and the Confederated Tribes of the Umatilla Indian Reservation. 


Johnson Creek Artificial Propagation Enhancement. Idaho — Development of a native chinook salmon broodstock for rearing of acclimated smolts to preserve and recover the population. 



Kangley-Echo Lake Transmission Line Project. Wash. — To build a 500-kV transmission line in King County to connect an existing transmission line near Kangley to Echo Lake Substation. 

Northwest Regional Power Facility. Wash. — To construct a combustion turbine near Creston. The final  (#2887) and a supplemental analysis are available. Call for a copy.

Santiam – Bethel Transmission Line Project. Ore. — To build a new 230-kV transmission line next to an existing line from the Santiam Substation to a Portland General Electric line that goes to PGE's Bethel Substation, a distance of 17 miles. 


Schultz – Hanford Area Transmission Line Project. Wash. — To build a new 500-kV line to relieve constraints on several electrical lines, provide more operational flexibility to meet endan-


gered salmon obligations and maintain transmission capacity to import and export energy. 

Shelton-Kitsap Transmission Rebuild. Wash. — To rebuild a 31-mile, 115-kV transmission line between Shelton and Kitsap substations as a double-circuit 230-kV line within existing right-of-way. A final   (#3329) is available. Call for a copy.

Stateline Wind Project. Wash. and Ore. — Work on the EIS has been stopped. PacifiCorp has contracted with FPL Energy to buy all of the output from the project.

Umatilla Generating Project. Ore. — To integrate electrical power from a new 550-megawatt natural gas-fired combined-cycle combustion turbine generation plant proposed by the Umatilla Generating Company, LP.   

White Sturgeon Mitigation and Restoration in the Columbia and Snake Rivers Upstream From Bonneville Dam. Ore., Wash. and Idaho. — To restore and mitigate for documented lost white sturgeon productivity caused by development and operation of the hydropower system using intensive fisheries management and modified hydrosystem operation. 

Wholesale Power Rates Amended Proposal. Regionwide — Amended proposal for 2002 wholesale power rate released Dec. 12. Acting Administrator Steve Wright issued an open letter to the region Jan. 25 on the context surrounding the rate case. Call for a copy. 

CALENDAR OF EVENTS

Preserving the Benefits of the Columbia River Conference and Open Space Forum. **March 12-14.** Holiday Inn Select and Namaste Retreat and Conference Center. Wilsonville, Ore. Sponsored by BPA, Northwest Public Power Assn., Portland State University. Call NWPPA at 360-254-0109 for more information.

Load Management Forum. **March 27,** 8:30 a.m.-4 p.m. DoubleTree Hotel, SeaTac. Seattle, Wash. Sponsored by BPA, Northwest Public Power Assn., Northwest Power Planning Council.

CLOSE OF COMMENT








Wholesale Power Rates Amended Proposal, participants' comments, **Feb. 14**

Umatilla Generating Project, scoping, **Feb. 23**

SUPPLEMENTAL ANALYSES

Watershed Management Program EIS: Acquire Oxbow Ranch - Middle Fork John Day River, Ore. (SA-48)

Wildlife Mitigation Program: Acquire Jones Ranch, Malheur Wildlife Mitigation Project, Ore. (SA-13)

 Call to be added to mail list,  Note close of comment deadline,  See calendar of events. Documents listed are being prepared unless otherwise noted:  Environmental Assessment,  Environmental Impact Statement,  Finding of No Significant Impact,  Record of Decision.

FOR MORE INFORMATION OR TO GET INVOLVED: The *Journal* is a monthly newsletter of the Bonneville Power Administration for customers and interested publics. To order documents, call: 800-622-4520 or (503) 230-7334 (Portland). For questions/comments or to be added to a mail list, call: (503) 230-3478 (Portland) or 800-622-4519. Written comments may be sent to: BPA, P.O. Box 12999, Portland, OR 97212. Public Involvement, Internet, E-mail address comment@BPA.gov, BPA home page: <http://www.bpa.gov>